

## Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 ONY-00 /010 R

DRAFTED BY EA/PHL:JSARTORIUS:CMD

APPROVED BY EA/PHL:BAFLECK

L/NEAZWRHODES

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P 202355Z MAY 77

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

C O N F I D E N T I A L STATE 117149

EA ONLY

E.O. 11652: GDS

TAGS: EINV, RP, US

SUBJECT: SEC ACTION AGAINST AMERICAN HOSPITAL SUPPLY

1. EA/PHL BRIEFED BY SECURITY AND EXCHANGE COMMISSION (SEC), AMERICAN HOSPITAL SUPPLY CO. (AHSC), AND STATE/L REPS CONCERNING PLANNED FOI RELEASE TO MEDIA AT END OF MAY OF SEC INFORMATION DETAILING AHSC PAYMENTS IN FIVE COUNTRIES, INCLUDING PHILIPPINES. ACCORDING SEC DOCUMENTATION, AFTER AHSC ACQUISITION OF PHILIPPINE SUBSIDIARY IN 1968, AMERICAN HOSPITAL SUPPLY/PHILIPPINES (AHS/P) CONTINUED PRACTICE OF MAKING PAYMENTS, BRIBES, OR KICKBACKS TO OBTAIN SALES OF ITS PRODUCTS. BULK OF SUCH MONIES, TOTALING \$232,000 IN PERIOD 1969-1976, WENT TO PURCHASING AGENTS AT 144 PHILIPPINE GOVERNMENT (AND A FEW PRIVATE) HOSPITALS--INDIVIDUALS AND HOSPITALS NOT NAMED.

2. SEC REPORT DOES NAME, HOWEVER, AHS/P MANAGING DIRECTOR GERVASIO AMISTOSO; AHS/P VICE PRESIDENT AND TREASURER  
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MANUEL ENRIQUEZ; AHS/P EMPLOYEE M. J. ARANETA; SIGUION, REYNA LAW FIRM; JORGE CUI PUBLIC RELATIONS FIRM; DR. R. L. AMORANTO AND H. S. GUZMAN (OF METRO MANILA BASED HOSPITALS); AND DR. HORTINOLA OF SPCMA AS HAVING VARIOUS ROLES IN PAYMENTS TO EFFECT SALES OF AHS/P PRODUCTS. ALSO MENTIONED WAS PAYMENT BY NOW-DECEASED PARTNER IN CARLOS J. VALDEZ &

CO., AHS/P'S ACCOUNTING FIRM, FOR PURPOSE OF BRIBING PHILIPPINE IRS AGENTS TO OBTAIN FAVORABLE SETTLEMENT OF AHS/P TAX LIABILITIES.

3. IN ADDITION, AHS/P, AS AMERICAN COMPANY ANTICIPATING EXPIRATION OF LAUREL-LANGLEY AGREEMENT, MADE QUESTIONABLE LAND TRANSFER ARRANGEMENT, AN APPARENTLY SHAM TRANSACTION TO FORMALLY GIVE UP BUT ACTUALLY RETAIN CONTROL OF PROPERTY. SEC NOTES PENALTIES FOR SHAM TRANSACTION ARE ESCHEAT OF LAND TO GOVERNMENT AND CRIMINAL LIABILITY FOR FILIPINO "DUMMY" SHAREHOLDERS. COUNSEL SUBSEQUENTLY ENGAGED BY AHSC TO REVIEW SITUATION, MR. ROMULO OF OZAETA, ROMULO, DE LEON, MABANTA & REYES, MADE LEGAL RECOMMENDATIONS, SINCE PRESUMABLY CARRIED OUT, TO PROTECT AGAINST CRIMINAL PROSECUTION AND ENSURE TITLE TO LAND WOULD BE VALID RETROSPECTIVELY.

4. FOREGOING SUPPLIED AS INFORMATION/BACKGROUNDER PRIOR TO RELEASE OF SEC DOCUMENTS, AND FOR ANY COMMENT WHICH EMBASSY MAY WISH TO MAKE. AS PART OF PRESENTATION TO EA/PHL, ASHC ASKED SEC TO DELETE NAMES BEFORE REPORT MADE PUBLIC, AND SEC REQUESTED DEPARTMENT'S ADVICE ON THIS POINT. WHILE WE SEE NO COMPLICATION TO US-PHILIPPINE RELATIONS FROM THEIR DISCLOSURE AND WOULD NOT ACT, IN EFFECT, MERELY TO SHIELD INDIVIDUALS FROM POSSIBLE PHILIPPINE CRIMINAL PROSECUTION, ASHC DESCRIBED ITS PHILIPPINE MANAGER AS "VERY SCARED" AND SEVERAL OTHERS INVOLVED AS "EXCEEDINGLY CONCERNED" OVER SEC INFORMATION GETTING BACK TO PHILIPPINES, WHICH, ACCORDING TO AHSC, COULD CONFIDENTIAL

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RESULT IN THEIR PHYSICAL HARM--I.E., RETALIATION BY INDIVIDUALS WHO WERE NOT CUT IN ON PAYMENTS. WE ARE INSUFFICIENTLY ATTUNED TO CURRENT PHILIPPINE MORES TO KNOW WHETHER PEOPLE SOMETIMES "END UP IN MANILA BAY" IN SUCH AFFAIRS, BUT IF IT IS EMBASSY'S BELIEF THERE IS PROBABILITY OF PHYSICAL ASSAULT, WE WILL PASS THIS INFORMATION TO SEC. WE WOULD HAVE TO ACT BY COB, MAY 23; IF NO EMBASSY COMMENT BY THEN, WE WILL TAKE NO ACTION.

5. PLEASE NOTE EA ONLY CAPTION. CHRISTOPHER

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Disposition Date:** 22 May 2009  
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**Errors:** N/A  
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**TAGS:** EINV, PORS, RP, US, SEC, AMERICAN HOSPITAL SUPPLY CO, (AMISTOSO, GERVASIO), (ENRIQUEZ, MANUEL), (ARANETA, M J), (AMORANTO, R L), (GUZMAN, H S)  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009